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American Institute of Certified Public Accountants

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# **Education Requirements for Entry Into the Accounting Profession**

A Statement of AICPA Policies  
Third Edition, Revised

October 1990

***AICPA***

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**American Institute of Certified Public Accountants**

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# **Education Requirements for Entry Into the Accounting Profession**

A Statement of AICPA Policies  
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## Preface

This report of the AICPA Education Executive Committee presents the Statements of Policy on Education Requirements for Entry Into the Accounting Profession, as approved by Council on October 21, 1978, and modified on October 20, 1990, and an illustrative program for the academic preparation of individuals entering professional accounting careers. The illustrative program is a modified version of the sample program contained in the 1978 policy statement.

### *1986–87 Education Executive Committee*

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# Introduction

It is the policy of the American Institute of Certified Public Accountants (AICPA) that “the knowledge to be acquired and abilities to be developed through formal education for professional accounting are proper and continuing concerns of the AICPA” and “the AICPA should review periodically the standards of admission requirements for CPAs.” To fulfill the AICPA’s responsibility under this policy, the Education Executive Committee decided in 1986 to review the 1978 *Education Requirements for Entry Into the Accounting Profession* (the Albers report) to determine how the sample program contained therein should be modified to reflect changes that had taken place and trends that were expected to continue. After identifying significant changes occurring in public accounting, industry, and not-for-profit organizations, the Education Executive Committee engaged in extensive discussions of the impact these changes should have on education for CPAs.

After completing its review, the committee concluded that no changes should be made in the ten policy statements contained in the Albers report. The committee also concluded that changes in recent years would not have an impact on the basic recommendations of *Horizons for a Profession*,<sup>1</sup> which remains the authoritative description of the common body of knowledge to be possessed by beginning CPAs.

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<sup>1</sup> Robert H. Roy and James H. MacNeill, *Horizons for a Profession* (New York: AICPA, 1967).

In the Education Executive Committee's reissuance of the Albers report, the sample program (referred to herein as the illustrative program) and the chronology of AICPA actions on education matters have been updated, certain passages no longer relevant have been deleted, and additional background material has been added.



## Statements of Policy

# Education Requirements for Entry Into the Accounting Profession

1. The CPA certificate is evidence of basic competence of professional quality in the discipline of accounting. This basic competence is demonstrated by acquiring the body of knowledge common to the profession and passing the CPA examination.<sup>2</sup>
2. *Horizons for a Profession* is authoritative for the purpose of delineating the common body of knowledge to be possessed by those about to begin their professional careers as CPAs.<sup>3</sup>
3. At least 150 semester hours of college study are needed to obtain the common body of knowledge for CPAs and should be the education requirement. For those who meet this standard, no qualifying experience should be required to sit for the CPA examination.
4. The scope and content of the educational program should approximate what is described in *Academic Preparation for Profes-*

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<sup>2</sup> *Report of the Committee on Education and Experience Requirements for CPAs, March 1969, "Statement of Recommendations,"* p. 6.

<sup>3</sup> *Report of the Committee on Education and Experience Requirements for CPAs,* p. 6.

sional Accounting Careers<sup>4</sup> and should lead to the awarding of a graduate degree.

5. At the earliest practical date, the states should adopt the 150-semester-hour education requirement. The date by which implementation of this policy may be practical may be dependent upon the following factors: (1) the current education requirement in each jurisdiction, (2) the availability of graduate accounting education in each jurisdiction, and (3) appropriate lead time to permit individuals to meet proposed education requirements.

6. CPA candidates should be required to fulfill their education requirements before applying to take the Uniform CPA Examination.<sup>5</sup>

7. Student internships are desirable and are encouraged as part of the education program.<sup>6</sup>

8. The AICPA should encourage the development of quality programs of professional accounting (or schools of professional accounting) and participate in their accreditation.<sup>7</sup>

9. Educational programs must be flexible and adaptive, and this is best achieved by entrusting their specific content to the academic community. However, the knowledge to be acquired and abilities to be developed through formal education for professional accounting are proper and continuing concerns of the AICPA.<sup>8</sup>

10. The AICPA should review periodically the standards of admission requirements for CPAs.<sup>9</sup>

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<sup>4</sup> See pages 8–25.

<sup>5</sup> Revision adopted by AICPA Council in October 1990.

<sup>6</sup> *Report of the Committee on Education and Experience Requirements for CPAs*, p. 7.

<sup>7</sup> Resolution adopted by AICPA Council in October 1976 (see the Appendix), as modified by Council in October 1978.

<sup>8</sup> *Report of the Committee on Education and Experience Requirements for CPAs*, p. 7.

<sup>9</sup> *Report of the Committee on Education and Experience Requirements for CPAs*, p. 7.

## Background of the Policy

Following the publication of *Horizons for a Profession* in March 1967, the chairman (then called the president) of the AICPA charged the Committee on Education and Experience Requirements for CPAs (the Beamer committee) with reviewing the conclusions of *Horizons* and recommending to the Board of Directors (then called the Executive Committee) a position on education and experience for CPAs as a basis for Institute policy.

The Beamer committee ascertained that accounting educators believed that more specific guidance on curricula was needed. To fulfill its charge and to provide guidance to planners of accounting curricula, the Beamer committee prepared a paper in March 1968 entitled "Academic Preparation for Professional Accounting Careers." The paper suggested a sample program for acquiring the common body of knowledge delineated in *Horizons*.

One year later, in March 1969, the Beamer committee issued its final report recommending ten statements of education policy, which were adopted by Council that May as Institute policy.

In early 1976, the Education Executive Committee appointed a task force chaired by Wayne J. Albers to review the Beamer committee's recommendations and to determine whether the ten recommendations and the curriculum proposals set forth in the paper continued to be appropriate in light of current practice and education conditions. The recommendations and sample program contained in the Albers revision were substantially the Beamer

committee's recommendations, as endorsed and modified by the Albers task force. The report of the Albers task force, *Education Requirements for Entry Into the Accounting Profession*, was approved by Council in 1978.

The policy of supporting a 150-semester-hour requirement to sit for the CPA examination was formally reaffirmed by the AICPA on a number of occasions after Council's approval of the Albers report. Late in 1981, the Institute joined with other professional organizations to form the Commission on Professional Accounting Education, also chaired by Wayne J. Albers, to gather evidence and formulate strategy for aiding the transition from a baccalaureate to a postbaccalaureate education requirement. One of the commission's recommendations was that the AICPA should provide the leadership in promoting legislative enactment of a postbaccalaureate requirement. To this end, the Board of Directors approved the appointment of the Postbaccalaureate Education Requirement Special Committee in September 1983. This committee's principal charge was to develop a program for legislative implementation of that requirement.

In May 1986, the Special Committee on Standards of Professional Conduct for CPAs, chaired by George D. Anderson, recommended a comprehensive plan for restructuring professional standards. The committee had been appointed to study the effectiveness and relevance of professional standards in the changing social and business environment. The special committee's plan included the proposition to establish a membership provision that would require those entering the profession after the year 2000 to have completed a postbaccalaureate education. Following a broad exposure period, which resulted in some modifications, the revised plan was submitted to the Board of Directors in February 1987. The Board approved the plan for submission to Council with the recommendation that Council approve a membership ballot on the plan. In January 1988, the membership approved, by an 82 percent favorable vote, amendment of the Institute's bylaws to require applicants for membership after the year 2000 to have 150 semester hours of education, including a baccalaureate degree or its equivalent.

In the years following the publication of the original Albers report, significant changes in accounting took place and certain trends became evident. Although auditing financial statements

remained the dominant activity of public accounting firms, most growth took place in other areas, such as taxes and management advisory services. Modifications in the rules of professional conduct governing practice increased competition. There was also a rapid increase in specialization. Developments in computer and telecommunication technology brought about changes in auditing and information systems. These developments were paralleled by the increased complexities in financial practices and widespread internationalization of commerce. Collectively, these forces affected public practice, business and industry, and government and other not-for-profit organizations.

With these developments came an expansion in the services provided by CPAs, arousing the interest and concern of congressional committees and private-sector groups regarding the role and performance of professional accountants. Civil liability suits and revelations of fraudulent financial reporting have prompted questions about the integrity of financial reporting systems.

The changes in practice and in the environment in which CPAs operate will affect the content and scope of the education of future entrants into the profession. Furthermore, the increased awareness of the ethical underpinnings of the auditing and financial reporting processes requires that greater attention be given to ethical issues and considerations throughout the education experience.

Recognizing the impact of these developments on the accountant's academic preparation, the AICPA Education Executive Committee reviewed the Albers report with a view toward bringing the sample program (appendix I of that report) up to date. The committee concluded that, although there was no need to modify any of the ten statements of policy that were approved by Council in 1978, certain other modifications and deletions were appropriate. The committee's conclusions are embodied in the illustrative program that follows.

## **Academic Preparation for Professional Accounting Careers**

The Beamer committee, noting the expanding role of the accountant in society, concluded that the body of accounting knowledge specified in *Horizons for a Profession* must be adopted if accountants are to fill this role. The committee also concluded that mastery of this body of knowledge, which is commensurate with the profession's public responsibility, would require not less than five years (referred to as 150 semester hours) of collegiate study. Thus, it recommended that the Institute recognize the need for education beyond the baccalaureate degree for those entering the profession. It further recommended that the Institute neither specify courses or course hours nor encourage such specific course requirements to be made a matter of law or regulation. The Albers task force concurred in these recommendations.

Observing that the role of the accountant will continue to expand to meet the needs of a changing society, the Education Executive Committee endorses the recommendation for postbaccalaureate education and believes that the optimal setting in which to achieve the education experience is in a professional accounting school or program. The committee believes that a strong foundation in general education will enable students to develop the intellectual tools and skills, including analytical thinking, needed to deal with the rigors of professional accounting study. However, it opposes a rigid layering of the general and professional compo-

nents of the program, and recommends that nonbusiness courses be taken throughout the college experience.

The Education Executive Committee also concurs with the Beamer committee and the Albers task force that educational programs must be flexible and adaptive, and that this is best achieved by entrusting their specific content to the academic accounting community. This notwithstanding, the scope, purpose, and general content of the formal education for professional accounting remain proper concerns of the Institute.

The charge of the Beamer committee was to examine the implications of *Horizons* on career preparation and training, be it through experience or through formal education. The Education Executive Committee agrees with the predecessor groups that the implications for formal education can be observed in an illustrative program, which should be viewed as only one possible means for implementing *Horizons for a Profession*.

Preparation for accounting careers is now and will continue to be achieved in a variety of institutional settings. Regardless of the setting in which students complete their career preparation, its scope and content should approximate what is described here and should lead to the awarding of a graduate degree. This program is intended to be descriptive rather than prescriptive. It is referred to as an illustrative program to distinguish it from existing programs and from any transitional programs that practical circumstances may require. The captions for the various sections of the illustrative program are intended as generic terms, not as course titles.

## **Illustrative Program**

Education for professional accounting should be composed of three segments—general education, education in business administration, and accounting education. Although they are interrelated, the segments are treated separately here for expository purposes only.

### **General Education**

Educators are aware of the need to strengthen education in the United States to provide a broad and comprehensive background

in the arts and sciences as a basis for developing knowledgeable citizens. A strong general education for accountants is important because the services of CPAs have expanded beyond the traditional focus on financial statements. Such expansion requires an ability to understand the social and economic environment within which the extended scope of accounting functions.

The profession requires that its entrants be men and women whose education has provided them with the foundations for lifelong learning, development, and growth. No attempt is made here to completely delineate the content of a CPA's general education because it does not always relate directly to the demands of professional practice. Students should come to understand humankind, its history, the philosophies by which it lives, the languages in which it communicates, and the arts and sciences that enrich its existence. Emphasis should be on developing analytical abilities and problem-solving skills, as well as perception, judgment, and integrity.

Certain topics within the scope of general education have a more direct relationship to the requirements of professional practice. Among these are ethics, communication, behavioral sciences, economics, elementary accounting, computers, and mathematics and statistics.

## Ethics

Fundamental to a profession is the obligation of its members to maintain the highest standards of ethical conduct. A sense of responsibility to society and to one's own profession should be acquired very early in the educational process and can begin with the nurturing of moral and ethical values.

## Communication

Effective communication, both written composition and oral expression, is an indispensable skill to any professional. It is particularly important to CPAs because accounting consists not only of the identification, accumulation, and analysis of information, but also the communication of that information to others. The schools should ensure that students acquire these skills and that students be required to demonstrate written and oral communication abilities in each course. Concern is less with literary or oratorical style than with the student's ability to convey messages clearly, concisely, and precisely, without errors in grammar, punctuation, or spelling.



In a profession in which the primary resource is people, the development of interpersonal skills is also important.

### Behavioral Sciences

The profession's concern for the behavioral sciences derives from the CPA's need to understand individual, group, and organizational behavior. Topics of specific interest should include leadership and decision making, learning and problem solving, motivation, interpersonal communication, conflict management, work team development, and innovation. The CPA needs to know how individual and organizational decisions are made. As a member of an organization, working with and for other complex organizations, the CPA must understand formal and informal communication networks among individuals and groups, how to deal with a variety of organizational structures, delegation and assignment of responsibilities, issues of group and organizational loyalties and commitment, information flow, the management of feedback and control, and related subjects.

### Economics

The student should study both macroeconomics and microeconomics at the introductory level. Additional recommended study of economics is discussed in "Education in Business Administration" (see page 13).

*Elementary Macroeconomics.* The accountant must acquire an overview of how the economy operates. This overview should include consideration of income measurement, monetary and fiscal theories and policies, employment, economic growth, international economics, business cycles, forecasting, and government policies concerned with taxation, spending, and economic planning. The student should acquire a basic knowledge of (1) the tools of analysis and measurement, including the gross national product; (2) the multiplier involving the effect on national income of such factors as investment, consumption, and government spending; and (3) the equation of exchange involving the supply and velocity of money.

*Elementary Microeconomics.* The student should understand the effects and interactions of economic forces on organizations. These include awareness of the relationship of price to demand, the factor of elasticity, and the effect of degrees of competition. Cost behavior

and the various concepts of cost, labor productivity, and theory and philosophy of government policies toward business must be understood since they affect the decisions and policies that are made within the organization and that, in turn, affect the economy.

The student should be familiar with economists' approaches to analyses involving, for example, price equilibrium in relation to supply-and-demand behavior, and marginal revenue and cost behavior. Antitrust machinery, regulation of public utilities, prohibitions on price discrimination, and restrictions on international capital movements through the taxation of the earnings of foreign subsidiaries of domestic corporations are some of the instruments of government control that the student should know about.

### Elementary Accounting

Elementary accounting is of unique importance in general education because an educated person in our society should learn the rudiments of business and accounting.

In accordance with the suggestion that elementary accounting should be included in general education for all students, the content and organization of the course should fit the needs of the students who are not concentrating in accounting. The functions of accounting in a business-oriented society and the concepts on which accounting rests should be emphasized. The elementary accounting course should acquaint students with the differences in the types of accounting information required by users inside and those outside the accounting entity. Although procedures should be introduced to illuminate the concepts presented, the primary emphasis should not be on the mastery of procedures. The approach suggested herein is equally appropriate as the foundation for students who study accounting in greater depth and may, in fact, attract a larger number of the better students to do so.

### Computers

As computer technology has proliferated and computer equipment has become commonplace in primary and secondary schools, the need for introductory computer courses in the college curriculum has diminished. Additionally, the availability of commercial software and software products specializing in computer programming and other technical aspects of computerized systems has obviated the need for students (other than those specializing in the field) to learn

programming or to become thoroughly familiar with these systems. Accordingly, the college-level curriculum should focus on the computer as a tool. Such uses include processing and accessing large quantities of data, solving complex problems, communicating with other users, and performing complex mathematical and statistical operations. These applications are best learned when integrated with the subject matter. The importance of security and control mechanisms required in computer-based environments should be highlighted. Further discussion of computers is included in "Accounting Education" (see page 17).

### **Mathematics and Statistics**

Quantitative methods are essential to the understanding and analysis of a wide range of business and accounting issues. From the study of mathematics and statistics, the prospective CPA should become familiar with the quantitative techniques that apply to the solution of business and accounting problems, including those involving uncertainty. Students should be able to work with symbolic notation, reduce complex problems to their essential elements, and express the relationships of these elements in quantitative terms. The objective should be conceptual understanding rather than manipulative skill. Additional comments on applications of quantitative techniques to the solution of business problems are contained in the segment "Education in Business Administration" (below).

### **Education in Business Administration**

Building on the knowledge gained in general education, education in business administration should enable the student to understand the concepts, processes, and institutions involved in the production and marketing of goods and services, as well as the financing of a business and other forms of organizations. The student should understand how management selects the products and services it will provide, the processes by which they will be provided, how they will be marketed, sold and distributed to the consumer, and the means by which the entire process will be financed. In addition, general economic theory and the monetary system, as well as the human, organizational, and environmental forces that influence business management, should be studied.

Collectively, these subjects constitute knowledge about the environment in which the accountant practices. It is important that students understand the interrelationships of the various business disciplines and how their integration is essential to the functioning of the organization. Because the computer is an important element in these interrelationships, both as a learning vehicle and as a functional tool, its applications should be included in presenting each subject. Students should also understand the administrative processes of the business organization, including strategic decision making and planning, and policy determination.

Education in business administration is not intended to be limited to business in the usual commercial sense. It includes components from government and other not-for-profit organizations that have become highly significant in terms of their growth, their increasing degree of public responsibility, and their financial needs. Also, the environment in which CPAs practice has expanded far beyond the domestic borders. Therefore, the international aspects of finance, economics, marketing, and accounting itself should be examined.

CPAs have been increasingly extending their services to clients in managerial areas and must, therefore, be more oriented to management and entrepreneurship. This orientation, together with the increased importance of the accounting function in organizations of all kinds, underscores the importance of education in business administration for accountants. Finally, CPAs, even though they are professionals subject to certain restrictions that are not applicable to the commercial world, are nonetheless business-people in that they operate accounting practices or serve as employers and employees in other organizations. It is vital that their education in business administration develops in them an understanding of the forces and opportunities in business as well as an appreciation of their professional obligations to maintain high ethical standards and a concern for the public trust.

## Economics

The introduction to macroeconomics and microeconomics previously described should be supplemented. In light of the professional demands to which the CPA will be subjected, further study in

economic theory and in the monetary system will contribute to the total education of the accountant.

*Economic Theory.* Economics is so important to an understanding of business operations and accounting activities that elementary economics is inadequate for providing the requisite level of competence. Study beyond principles should include additional study in general economic theory.

*The Monetary System.* The money system and its operations are highly complex, and the CPA should be familiar with them. The CPA also should understand how the institutions of the banking system work. Recent history indicates the importance of the monetary and banking systems on the international level.

### Legal and Social Environment of Business

Business and government, administrative law, and government regulation/deregulation of business activity are important topics that should be included in the curriculum. Students should understand the regulatory and law enforcement framework that government and the private sector provide to protect the public interest. This knowledge should include the responsibilities and functions of federal and state agencies, the courts, self-regulatory organizations, and other private and professional organizations, as well as how they interact.

In addition, attention should be given to social forces that affect business, such as consumer activism, environmentalism, organized labor, urban blight, and minority rights.

### Business Law

The CPA's work embraces legal matters in so many ways that a knowledge of business law is required. A CPA should be aware of the meanings of constitutionality, the interrelationships between federal and state laws, jurisdiction and the respective roles of common law and equity, statutory law, and, as mentioned earlier, administrative regulation in the U.S. legal fabric. In addition, the CPA needs to be familiar with matters such as the law of contracts, agency, commercial paper, sales, property, wills, estates, trusts, and the law of torts. CPAs need not have legal expertise, but they should be able to recognize relevant problems and apply the underlying principles of law to accounting and auditing situations;

they should know when to seek legal counsel and, when necessary, recommend that it be sought.

### Marketing

CPAs need to have a general knowledge of how marketing functions, and a more specific familiarity with activities that require accounting information to make operational decisions and solve problems. Since it is often through marketing that an organization makes contact with current and prospective customers, CPAs should be familiar with how an organization combines its product and services, price, promotion, and distribution to meet the needs of the marketplace. Several areas are of particular interest to CPAs because many domestic and international marketing decisions require specific accounting information. For example, price determination incorporates several cost dimensions; budgeting is essential to virtually every marketing function; and expense control is an important element of sales force management. In addition, CPAs should know enough about marketing to educate the public about the professional services accountants provide.

### Finance

It is important for an accountant to have an understanding of the concepts and tools used in financial analysis since one of the primary uses of accounting information, whether internal or external, is in financial applications. The accountant should know what data go into financial analyses and how they are used. The CPA should possess knowledge of cash flow perspectives, the process of acquiring and allocating capital, and the impact of inflation on accounting information. Conceptually, the accountant must understand valuation models and the effects of capital structure, dividend policy, timing of cash flow, and risk on the valuation process. In addition, a CPA should be familiar with the structure and terminology of domestic and international financial markets and institutions, and with the various types of financial instruments. The ethical basis of full and fair disclosure that governs access to public funds through financial markets should also be stressed.

### Organization, Group, and Individual Behavior

The behavioral sciences are important tools in understanding management practices in business organizations. The topics relevant to managers working in the organizational setting are individual, interpersonal, group, and total organization relationships. As a

consultant and a systems designer, as well as in dealing with one's own clients and practice, the accountant must be aware of the human factors involved in systems design and in interpersonal situations.

### **Quantitative Applications in Business**

Mathematical and statistical concepts that deal with business and accounting problems that are fundamental to quantitative analysis or solution should be part of the curriculum. Practice in optimization models, queuing theory, critical path methods, simulation, and similar techniques should be covered as well. Quantitative methods should include sampling, correlation and regression analyses, and statistical decision theory. Students should study the combination of subjective and objective evidence. The approach to quantitative methods should be problem-oriented and directed to understanding the method; likewise, the types, sources, and reliability of data required for analysis and decision making, and the limitations of these techniques are important.

### **Communication Skills**

Communication skills learned in general education should be reinforced in the business and accounting segments since effective communication in business is a vital tool. Voice inflection, facial expressions, gestures, or other techniques of face-to-face communication are not available to the writer. For this reason, the writer must learn to select words, syntax, and punctuation to create the desired response in readers. As pointed out in "General Education," communication skills should be emphasized in each subject.

### **Business Ethics**

Although business ethics is mentioned here as a separate area of study to emphasize its importance, ethical issues should be included in the study of the other business disciplines. The accountant must be acutely aware of the underlying ethical concerns when analyzing business and accounting situations. In addition, corporate codes of conduct and management's influence on the control environment should be discussed.

### **Accounting Education**

The need for a 150-semester-hour program to prepare students for professional accounting careers is evident. An adequate under-

standing of accounting concepts and their application, as well as the broad general education and education in business administration outlined previously, requires more time than is available in the traditional baccalaureate program.

Students must understand that accounting is a dynamic, growing discipline; they must be aware of and become involved with the variety of issues which CPAs face. The topics covered will change frequently; issues under study by the standards-setting bodies of the profession should be included, as well as important research subjects and significant changes in the tax law.

The accounting segment of the curriculum may be divided into several basic areas, including financial, managerial, tax, auditing, information systems, and professional ethics. The overall objectives should be to give the student an understanding of the functions of accounting, the underlying body of concepts that constitute accounting theory, and the application of these concepts to accounting problems and situations. These objectives are paramount to every student whether he or she specializes in taxes, auditing, information systems, government and other not-for-profit entities, or some aspect of management advisory services. Organization of the profession and the CPA's professional ethics and responsibilities should also be covered.

The following topics apply to profit-oriented business entities, as well as governmental and other not-for-profit institutions. Today, accounting for not-for-profit entities, especially government, has taken on increased importance. All entities, whether or not operated for profit, will continue to be challenged by problems in financial accounting, managerial accounting, taxes, auditing, and information systems.

### Financial Accounting

In recent years, the rate of change in financial accounting has accelerated. Innovations in business practices, such as the development of complex financing arrangements and business combinations, have caused modifications in accounting practices. As a result, the accounting literature has grown in complexity and volume, adding substantially to the body of technical accounting knowledge. Currently effective pronouncements of the Financial Accounting Standards Board (and its predecessors), the Governmental Accounting Standards Board, and the Securities and Ex-



change Commission are voluminous. This growth will continue. The quantity of these materials and their ongoing changes make it impossible to cover it all. Nevertheless, students should be made aware of the need to keep current on the literature; they should also learn how to research the literature of the FASB, GASB, SEC, AICPA, and other bodies to solve practical financial accounting problems.

*Financial Accounting Theory.* The financial accounting theory portion of the curriculum should focus on the conceptual framework of financial accounting and reporting, including such areas as objectives, elements, qualitative characteristics, recognition, measurement, and methods of presentation. The conceptual framework should include an examination of the historical development of these concepts, as well as their application to specific areas of financial accounting and reporting. The rationale underlying generally accepted accounting principles should be emphasized rather than the specific methods of applying these principles. In addition, the institutional framework in which financial accounting principles are developed should be studied.

*Applied Financial Accounting Problems.* Although it is neither necessary nor desirable to examine each situation that the accountant might encounter in practice, certain topics are important to understand the complexities of the business and financial world. For example, business combinations require special application of the principles of measurement and realization in such matters as consolidations, takeovers, and poolings-of-interest. In the development of statements of businesses in financial difficulty, decedents' estates, trusts, and not-for-profit organizations, peculiar valuation and presentation problems are encountered. However, it is not recommended that the myriad ramifications of these areas be covered in too great depth; rather, students should become acquainted with the kinds of problems that exist and the application of accounting principles and practices to their solution.

## Managerial Accounting

*Accounting for Decision Making.* At the beginning of this segment, it was stressed that students should be made aware of the functions of accounting. Therefore, it is important that they know

how managerial accounting can contribute to decision making and planning. Typical problems might involve make-or-buy decisions, product mix, capital budgeting, and inventory planning. The methodologies might include present-value analysis, models, and incremental analysis. The objective is to expand the students' knowledge of the kinds of approaches to decision making and, particularly, the need to identify relevant data, not to develop expertise in all of the tools.

*Cost Determination and Analysis.* Exposure to the broad range of managerial accounting concepts and their terminologies is fundamental. The study of the measurement and accumulation of costs includes such topics as direct and indirect costs, product and period costs, the rationale behind cost allocation procedures, cost-volume-profit relationships, and the application of overhead.

*Management Accounting Controls.* Students should develop a familiarity with the controls used in the application of managerial accounting concepts to the design of the information system. These include profit planning, various budgeting concepts, responsibility accounting, transfer pricing, responsibility-center analysis, standard costs, and similar topics.

## Taxes

*Tax Theory.* It is neither possible nor desirable to cover exhaustively the subject of taxes since the tax law is complex and continually changing. A student who plans to work with financial problems should acquire adequate knowledge of taxes and their impact on decision making. To place in perspective the multitude of tax laws, regulations, and administrative and judicial rulings, it is necessary to have (1) an understanding of the evolution of taxation concepts and the system employed in the United States, as well as the role of taxation as a source of revenue and a device to meet other governmental goals or objectives; (2) an understanding of the concept of taxable income; and (3) an introduction to the methods of tax research. In addition, the student should understand the basic provisions related to gross income, deductions, credits, and classification. Again, it is not expert knowledge that is required, but an understanding of the reasons behind the various provisions and the impact of their interrelationships.

*Tax Problems.* In addition to a broad background in the field of taxes, the accountant should be able to apply tax principles and engage in tax research leading to the solution of complex problems. Cases should involve individuals, corporations, partnerships, trusts and estates, and the interrelationships among these entities. Only when these interrelationships are seen can the student comprehend the impact of taxes on decision making and planning.

## Auditing

*Audit Theory and Practice.* Statements and assertions of economic activity and events need to be validated and verified to give added assurance of their reliability to users of such information. Auditing is the process whereby evidence about such activity and events is gathered by competent, independent parties to report on the correspondence between such statements and assertions and established criteria. The auditing process must be understood by those who prepare and use such information and by the auditors themselves.

Auditing theory encompasses the concepts of evidence and its evaluation, the various purposes and contexts for its accumulation, the responsibilities and risks assumed in the process, and the nature of appropriate communication. The study of auditing should include an understanding of auditing theory together with an exposure to how it is implemented in practice through the identification of assertions, the review of control systems, the application of various tests by sampling, the assessment of risk and the exercise of judgment, the alternative forms of communication, and the administration of the audit itself. The various contexts in which auditing is applied need to be explored, including the legal and social environment, professional standards and responsibilities, and ethical imperatives. Today, the scope of the application of the attest function requires that students be exposed to its use in financial, operational, and compliance applications, as well as in for-profit, governmental, and not-for-profit settings.

*The Computer in Auditing.* The auditing course is an example where computer knowledge learned elsewhere (see "General Education," page 9) can be applied. Understanding computerized systems and the appropriate controls that accountants may be called upon to evaluate is essential. Students need to see how

computers can be used in an audit to obtain and develop evidence, provide decision support, collect and summarize data, and assist in administering the process. Additionally, the student should be introduced to expert systems and instructed in their potential in the audit process.

*Audit Problems and Case Studies.* Since auditing is a practical art, it can best be illustrated through exposure to relevant problems and cases. Examples that explore evaluation of control systems, applications of audit sampling and tests, behavioral problems and ethical issues, risk assessment, and opinion judgments reinforce and expand the student's understanding of both theory and practice. It is recommended that at least one comprehensive audit case study be included. Skills of analysis, deductive logic, the assessment of risk, the ability to make sound judgments, and the capacity for clear expression should all be practiced here.

### Information Systems

The study of information systems is a vital element in the student's education. CPAs need to be familiar with information systems since they are the means by which the accounting function is carried out. Accountants must understand how management functions, and they must be familiar with the kinds of information needed to carry out these functions. Their knowledge of information systems must extend beyond the accounting system itself to include the broad perspective of management information systems.

The widespread use of computer and telecommunications technology makes an understanding of the technologies and their applications and limitations essential. Students should be familiar with the functions and interrelationships of hardware components, and with the capabilities and applications of software. File structure, data storage and retrieval, networking, and telecommunications are relevant concepts. The internal controls that ensure accuracy, integrity, and confidentiality of information should be examined. Most importantly, the CPA should know how and if the system provides information to management that is relevant, reliable, timely, and readily accessible. This requires that students be aware of the management process and the importance of information to effective management. Wherever appropriate, application of the technologies should be integrated with the accounting courses.

## **Professional Ethics and Responsibilities**

The importance of developing ethical values in the accounting student and integrating the coverage of ethical issues and considerations with the coverage of technical knowledge throughout the curriculum has been stated. It should be emphasized in these presentations that the CPA is responsible for adhering to standards of technical competence and ethical conduct to ensure that the public interest is served, that the public trust is protected, and that a commitment to professionalism is demonstrated. Rules of professional conduct require that CPAs act with integrity and objectivity, and particularly when engaged in the practice of public accounting, they must maintain their independence from those being served.

It is essential, therefore, for the accounting student to have an in-depth understanding of the codes of ethical conduct of the state accountancy boards, the AICPA, and other accounting organizations, and to comprehend the applications of the rulings in order to appreciate the CPA's legal and ethical responsibilities.

## **Internships and Cooperative Programs**

Internships and cooperative education programs enable the student to better integrate academic knowledge with its practical applications. Student internships can enhance the educational experience by making subsequent study more meaningful. In addition, exposure to accounting practice and the business environment can help the student to develop professionally before entering the marketplace.

## **Specialization**

Flexibility has been provided in the illustrative program so that the student has the opportunity for limited advanced study in one of the areas of accounting specialization, such as taxes, auditing, information systems, government and other not-for-profit entities, or some aspect of management advisory services. An in-depth specialization in any of these areas will require study beyond a 150-semester-hour program.

## **Summary Perspectives**

It has been observed throughout that the CPA works in a continually changing environment. If the profession is to respond positively to the development of new technologies and to society's demand

for expanded information, it needs to have broadly educated professionals who are technically knowledgeable and who have the analytical abilities, communication and interpersonal skills, and the cultural awareness that will enable the profession to fill its broader role.

The educational preparation of the CPA should consist of an appropriate balance between technical and general education. Not more than 40 hours of a 150-semester-hour program should be devoted to accounting topics beyond elementary accounting. This should include those hours taken for a limited specialization. A *maximum* of 50 hours is recommended for business-related subjects and a *minimum* of 60 hours for the general education component of the program. The following ranges for the three components of the illustrative program are offered as guidance:

General Education	60–80 semester hrs
Education in Business	
Administration	35–50 semester hrs
Accounting Education	25–40 semester hrs

## An Illustrative Program

	<i>Semester hours</i>
<b><u>General education</u></b>	60–80
Ethics	
Communication	
Behavioral sciences	
Economics	
Elementary accounting	
Computers	
Mathematics and statistics	
Other general education (for example, history, philosophy, literature, languages, arts, humanities, and sciences)	
Electives	
 <b><u>Education in business administration</u></b>	 35–50
Economics (theory and monetary system)	
Legal and social environment of business	
Business law	
Marketing	
Finance	
Organization, group, and individual behavior	
Quantitative applications in business	
Communication skills	
Business ethics	
Electives	
 <b><u>Accounting education</u><sup>10</sup></b>	 25–40
Financial accounting	
Financial accounting theory	
Applied financial accounting problems	
Managerial accounting	
Accounting for decision making	
Cost determination and analysis	
Management accounting controls	
Taxes	
Tax theory	
Tax problems	
Auditing	
Audit theory and practice	
The computer in auditing	
Audit problems and case studies	
Information systems	
Professional ethics and responsibilities	
Internships and cooperative programs	
Electives	
<hr/> Total education program	<hr/> 150

<sup>10</sup> Elementary accounting is included in General Education; schools with AACSB accounting accreditation should refer to the required accounting hours specified in the curriculum standards.

## APPENDIX

# **Chronology of AICPA Council and Board Actions on Education and Experience Requirements for CPAs**

### **April 1959**

Upon the recommendation of the Special Coordinating Committee to Study the Report of the AICPA Commission on Standards of Education and Experience for CPAs, Council adopted the following thirteen resolutions:

1. That the long-established meaning of the CPA certificate as evidence of demonstrated competence for the practice of public accounting be continued.
2. That a baccalaureate degree be made a requirement for the CPA certificate; that proportions among accounting, business, and non-business subjects in the curriculum recommended by the American Accounting Association Standards Rating Committee are desirable; that those earning baccalaureate degrees with considerable variations from these proportions be considered deficient and be required to present evidence of equivalent study.
3. That studies be made by the AICPA committee on personnel testing to ascertain whether the tests in the AICPA testing program can be adapted or new tests developed to serve the



purpose of screening applicants for postgraduate accounting educational programs.

4. That postgraduate education for careers in public accounting is desirable, and that as soon as it is feasible, postgraduate study devoted principally to accountancy and business administration become a requirement for the CPA certificate (amended in 1962).

5. That an advisory committee of the AICPA, preferably acting in cooperation with representatives from the American Accounting Association and the American Association of Collegiate Schools of Business, be formed to assist interested schools in planning and revising courses and programs for educating accountants, and to assist existing accrediting agencies and associations in evaluating accounting courses and curricula.

6. That student internship as a part of the student's educational program be optional; that plans be developed by a committee of the AICPA so that internships may be well-organized and carefully supervised by schools and practitioners when used; and that serious effort be made toward answering the problem of whether internships should be provided to all who qualify.

7. That an experience requirement be retained; that with the baccalaureate degree, with, or supplemented by, evidence of study of accounting, to the extent set forth in Resolution 2, the experience be not less than two years; that as education is extended beyond the baccalaureate degree the length of experience should be reduced, but should not be less than one year; that the experience should be under the guidance of a CPA and some of the experience should be in the area of third-party reliance; and that a committee of the AICPA should prepare a statement as to what, in general, should be an acceptable type of experience for the CPA certificate (amended in 1960).

8. That the existing purposes and level of the CPA examination be continued.

9. That a candidate be permitted to take the examination when he feels adequately prepared, but not before he has successfully completed the recommended educational requirements.

10. That the CPA certificate be awarded after the candidate has successfully completed the examination and experience requirements.

11. That individual practitioners and the American Institute of Certified Public Accountants cooperate in rendering assistance to colleges by such means as providing instructional materials drawn from business; providing student scholarships and internships; providing funds for advanced study by faculty members; endowing professorial chairs; providing faculty residencies; and serving as, or providing, special lecturers.

12. That state society committees on state legislation should consider local conditions in timing any recommendation for necessary legislation.

13. That the AICPA take the leadership in causing periodic reviews of education and experience for CPAs.

#### **May 1960: Council Amendment of 1959 Resolution 7**

7. That an experience requirement be retained; that with the baccalaureate degree, with, or supplemented by, evidence of study of accounting to the extent set forth in Resolution 2, the experience be not less than two years; that as education is extended beyond the baccalaureate degree the length of experience should be reduced but should not be less than one year; that the experience should be under the guidance of a CPA or licensed public accountant (that is, a public accountant licensed under an accountancy statute which authorizes a state board to take disciplinary proceedings) in public practice or in an activity comparable thereto, and that some of the experience should be in the area of third-party reliance; that at least one year of the required experience must be in the public practice of accounting; and that a committee of the AICPA should prepare a statement as to what, in general, should be an acceptable type of experience for the CPA certificate.

#### **May 1962: Council Amendment of 1959 Resolution 4**

4. That postgraduate education for careers in public accounting is desirable, and that as soon as it is feasible, postgraduate study devoted principally to accountancy and business administration become a requirement for the CPA certificate; that when postgraduate education is undertaken and the curriculum of postgraduate study is devoted principally to accountancy and business administration, such courses taken beyond the baccalaureate degree are deemed to compensate for deficiencies in accounting

and business courses in undergraduate study, provided the total curriculum in accountancy and business administration shall be substantially the equivalent of that included in the four-year undergraduate program recommended by the Standards Rating Committee of the American Accounting Association. As a corollary, it is expressly affirmed that graduates receiving baccalaureate degrees in liberal arts, engineering, and the like shall be encouraged to enter public accounting, with postgraduate study devoted principally to accounting and business administration.

### May 1969

Council adopted the following resolutions as Institute policy to supersede the resolutions which had been adopted in 1959 and amended in 1960 and 1962.

1. The CPA certificate is evidence of basic competence of professional quality in the discipline of accounting. This basic competence is demonstrated by acquiring the body of knowledge common to the profession and passing the CPA examination.
2. *Horizons for a Profession*<sup>1</sup> is authoritative for the purpose of delineating the common body of knowledge to be possessed by those about to begin their professional careers as CPAs.
3. At least five years of college study are needed to obtain the common body of knowledge for CPAs and should be the education requirement. For those who meet this standard, no qualifying experience should be required.
4. The states should adopt this five-year requirement by 1975. Until it becomes effective, a transitional alternative is four years of college study and one year of qualifying experience.
5. The college study should be in programs comparable to those described in "Academic Preparation for Professional Accounting Careers."<sup>2</sup> The transitional qualifying experience should be in public practice or equivalent experience in industry, government, or college teaching acceptable to state boards of accountancy.

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<sup>1</sup> Robert H. Roy and James H. MacNeill, *Horizons for a Profession* (New York: AICPA, 1967).

<sup>2</sup> AICPA Committee on Education and Experience Requirements for CPAs, "Academic Preparation for Professional Accounting Careers," *Journal of Accountancy*, December 1968.

6. Candidates should be encouraged to take the CPA examination as soon as they have fulfilled education requirements and as close to their college graduation dates as possible. For those graduating in June, this may involve taking the May examination on a provisional basis.
7. Student internships are desirable and are encouraged as part of the educational program.
8. *The Report of the Standing Committee on Accounting Education*,<sup>3</sup> which provides that the accreditation of academic programs is the responsibility of the academic community, is endorsed.
9. Educational programs must be flexible and adaptive and this is best achieved by entrusting their specific content to the academic community. However, the knowledge to be acquired and abilities to be developed through formal education for professional accounting are proper and continuing concerns of the AICPA.
10. The AICPA should review periodically the standards of admission requirements for CPAs.

### July 1973

The Board of Directors adopted the following resolution:

From time to time, the American Institute of Certified Public Accountants receives inquiries from educators concerning the profession's official position regarding a variety of educational matters. A recent instance was whether the Institute would endorse professional schools of accounting.

The Institute recognizes that during the last several years, the professional dimension of accounting as an academic discipline has suffered a decline in many schools—a decline which is of great concern to accountants. The Institute views this as contrary to the public interest which requires that strong professional programs be generally available at universities throughout the United States.

The Institute strongly endorses any action which provides such strong professional programs. As one way, and perhaps the preferable way, of achieving an increased emphasis on the professional dimension of the discipline, the Institute endorses

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<sup>3</sup> Standing Committee on Education, *Report of the Standing Committee on Accounting Education* (New York: AICPA, 1966).

and encourages the establishment of professional schools of accounting at qualified and receptive colleges and universities.

### **October 1976**

Council adopted the following resolution:

Whereas the accounting profession is vitally concerned with the nature and content of accounting education;

Whereas we are deeply concerned with the quality of academic preparation for entrance to the profession;

Therefore, be it resolved that the AICPA should encourage the development of quality professional programs of accounting and participate in their accreditation.

### **October 1978**

Council approved the report of the AICPA Task Force on the Report of the Committee on Education and Experience Requirements for CPAs, as representing a statement of current AICPA policy on accounting education.

### **May 1981**

The AICPA Board of Directors authorized the payment of \$150,000 over three years, the use of which was to be restricted to the accreditation of 150-hour programs and other masters of accounting degrees.

### **September 1981**

The Board of Directors authorized the Chairman to appoint members to an independent study group to gather evidence and formulate strategy to aid in the transition from a baccalaureate to a postbaccalaureate educational requirement for entry into the public accounting profession.

### **September 1983**

The Board of Directors resolved that the Institute move forward with a program of implementation by appointment of a special committee to develop and implement, on a state-by-state basis, specific national strategies to accomplish legislative enactment of the AICPA's recommendation for a postbaccalaureate education

requirement for entry into the profession, and that the special committee should submit to the Board a specific program of implementation.

### **May 1987**

Council approved the Plan to Restructure Professional Standards, which included the provision that new applicants for membership after the year 2000 have 150 semester hours of education. Council also approved submission of the plan for a membership ballot.

### **January 1988**

The membership approved amendment of the bylaws to require applicants for membership after the year 2000 to have 150 semester hours of education, including a baccalaureate degree or its equivalent.

### **October 1990**

Council approved revision of the sixth policy statement to recommend that candidates be required to fulfill their education requirements before applying to take the CPA examination rather than being permitted to sit for the examination on a provisional basis.

